

**PENSION REFORM PROPOSAL
APPLIES TO STATE AND LOCAL GOVERNMENTS
MARCH 2011**

1. Eliminate Purchase of Airtime. Would eliminate the opportunity, for all current and future employee members of all state and local retirement systems, to purchase additional retirement service credit. (RN 14777) (*Note Walters, SB 522, would eliminate Air Time*)
2. Prohibit Pension Holidays. All California public agencies would be prohibited from suspending employer and/or employee contributions necessary to fund the normal cost of pension benefits. (RN 14777)
3. Prohibit Employers from Making Employee Pension Contributions. All California public agencies would be prohibited from making employee contributions that fund the normal cost of employee retirement benefits in whole or in part. (RN 14777)
4. Prohibit Retroactive Pension Increases. All California public agencies would be prohibited from granting any retroactive pension benefit increases, such as benefit formula improvements that credit prior service. (RN 14777)
5. Prohibit Pension Spiking: Three Year Final Compensation. Final compensation for new employees would be defined as the highest average annual compensation during a consecutive 36 month period. (RN 14777)
6. Prohibit Pension Spiking: Define Compensation as Only Regular, Non-recurring Pay. Compensation means normal rate of pay or base pay. (RN 14777) (*Note Simitian, SB 27, would exclude from defined benefit changes in compensation principally for the purpose of enhancing benefits; would place stricter limits on creditable compensation*)
7. Felony Convictions. Prohibits payment of pension benefits to those who commits a felony related to their employment. (RN 14777) (**Note Strickland, SB 115, similar prohibition*)

PROPOSALS UNDER DEVELOPMENT

1. Impose Pension Benefit Cap.
2. Improve Retirement Board Governance
3. Limit Post-Retirement Public Employment
4. Hybrid Option
5. Address CalSTRS Unfunded Liability